

**THE PORT
OF LOS ANGELES** LA

America's Port

Report of the
Internal Auditor
Audit Committee May 25, 2023



INTERNAL AUDIT – The Journey

RECAP – Where we've been

- It started in October with the hiring of an Internal Audit Director with no staff or Consultants in place
- December AC Meeting – Internal Auditor shared the Vision, Mission Statement, Goals
- March AC Meeting – Internal Auditor presented Internal Controls & COSO Framework, Risk Assessment, Audit Plan



May AC Meeting – The Journey Continues

- Status of the Division
 - Staffing
 - Contracts
- Audit Recommendations Follow Up – Group 1
- Audits in Progress
 - Lane Victory
 - PBF Energy

STATUS OF THE DIVISION

➤ STAFFING

New Internal Auditor, Sonja Howe



- ✓ Started 4/10/23, long process
- ✓ Emergency hire, will need to pass Civil Service exam
- ✓ More than 15 years audit experience, including govt. auditing and has served as the Chief Auditor
- ✓ Holds an internal controls credential and has a Masters in Public Policy

STATUS OF THE DIVISION

➤ STAFFING (cont)

- Scheduling interviews for 3 candidates for a Student Professional Worker
- Plan (pending budget approval) is to hire another Internal Auditor next fiscal year

➤ CONTRACTS

- Five audit consultants in the pool of qualified consultants
- Will need to execute an extension to another consultant enabling them to complete the audit



AUDIT RECOMMENDATIONS – Our Inheritance



- 11 audits from FY16 – FY22 with 125 recommendations, with 71 still open / not addressed (requires reviewing binders of work)
- Separated into 2 reporting groups to be presented in May & July audit committee meetings
- Group 1 – consisted 4 audits that made 95 recommendations with 30 recommendations still outstanding
 - IEAS audit from 2018 – 4 open recommendations
 - Payroll performance – 3 open recommendations
 - Goods Movement process – 5 open recommendations
 - Wharfinger process – 18 open recommendations

Audit Recommendations – Our Work, Group 1 Evaluated

Of the 30 audit recommendations in Group 1 that had been outstanding, Internal Audit determined that 21 did not require follow-up due to the following reasons:

- ✓ Insufficient information
- ✓ Process is being redefined (ERP implementation)
- ✓ Outdated and/or low risk

The 9 outstanding recommendations are listed as an appendix to this document.

Audit Recommendations – Our Work - Evaluate

9 Remaining Audit Recommendations

- Recommendation Types
 - 6 - Policies & Procedures
 - 2 - Proper Accounting
 - 1 - Monitoring

- Recommendations Directed to the following Divisions
 - 2 - Accounting
 - 2 - Human Resources
 - 2 - Wharfinger
 - 2 - Goods Movement
 - 1 - Finance & Budget

Audit Recommendations – Evaluate & Clean Up

Future work – Continue the Clean Up

- ✓ Clear the remaining 9 recommendations from Group 1
- ✓ Evaluate the recommendations in Group 2
- ✓ Develop policies and procedures for how findings and recommendations are identified and monitored.



Audits in Progress

Lane Victory

- ✓ CRG Consulting provided a draft report
- ✓ Contract has expired, expecting to request extension
- ✓ Internal Audit requested work papers
- ✓ Consultant has not met with Internal Audit or WCRED to discuss and provide comments



PBF Energy

- ✓ Preplanning has begun, interview with WCRED
- ✓ Task order to be developed
- ✓ Consultant expected to begin in FY24



OTHER UPCOMING AUDIT WORK

The Audit Plan identified 6 in-house projects for FY23; however, 2-3 will likely shift to FY24 due to unforeseen delays.

1. Audit Recommendation Follow Ups
2. Monitoring of Mandatory City-Wide Trainings (memo)
3. Goods Receipts & Returns to Vendor (tbd)
4. Miscellaneous Warehouse (155a) Contents (items not inventoried, memo)
5. Wharfinger Process Review (Walk-through)
6. Workers' Compensation Administration (focus on sworn police, memo/audit follow up)

INTERNAL AUDIT THE JOURNEY FORWARD

- ✓ Fully Staffed
- ✓ Contracts in Place
- ✓ Completed Administrative Tasks
- ✓ Producing Audit Reports
- ✓ Reviewing & Updating Audit Plan based on Risk & Requests
- ✓ Audit Manual that documents Policies & Procedures
- ✓ Available for Consultation on Controls (ERP)



INTERNAL AUDIT

Thank you, please advise of any change requests and/or provide any guidance.

QUESTIONS?

APPENDIX A – Audit Recommendations



AUDIT RECOMMENDATIONS FOLLOW UP, GROUP 1 - MAY 2023

FY	AUDIT NAME	CONSULTANT		RECOMMENDATION	RESPONSIBILITY
FY19	Industrial, Economic, and Administrative Survey	BCA	2	Track the date of staff performance evaluations and ensure that each employee receives an annual performance evaluation in a timely manner.	Human Resources
FY19	Industrial, Economic, and Administrative Survey	BCA	5	Work with other POLA divisions to more accurately assess work that will be performed by the IT Division on capital projects for each budget year and identify and include amounts that will be recovered for such work in the IT Division budget, including a more accurate assessment of the Division's indirect costs to be charged to the Capital Budget.	Finance Division
FY18	Payroll	PMA	6	Given the critical importance of the payroll function, we recommend policies and procedures be established and documented. Once established, policies and procedures should be reviewed on an annual basis to ensure they are current.	Accounting - Payroll
FY15	Goods Movement	Harvey Rose	1.7	Formalize the new approach to performance evaluation timing and codify these requirements for inclusion in the Port's Employee Manual, subject to approval by executive management.	Human Resources
FY15	Goods Movement	Harvey Rose	4.1	Review and revise the draft Grants Administration Manual to include a requirement for a pre-application cost analysis, consistent with the draft Project Development Committee Procedure, prior to applying for grants and incorporate this practice in to their grant identification and application work.	Goods Movement
FY15	Goods Movement	Harvey Rose	4.2	By December 31, 2014, finalize the Grants Administration Manual in consultation with executive management and submit it to the Executive Director for approval. Goods Movement Division management should also present the new procedures to the Audit Committee of the Board of Harbor Commissioners to inform the Committee of the changes. Once approved, Division management should disseminate the manual to appropriate Division Heads throughout the Port.	Goods Movement

APPENDIX A – Audit Recommendations

AUDIT RECOMMENDATIONS FOLLOW UP, GROUP 1 - MAY 2023

FY	AUDIT NAME	CONSULTANT	RECOMMENDATION	RESPONSIBILITY
FY15	Wharfinger	Harvey Rose	2.8 Comply with the City policy that requires Department Head approval for seminars prior to submission to the City Controller and before the Division receives services; or, the Accounting Division should seek to officially change the City Controller’s policy or to a more suitable policy and inform all POLA Divisions.	Accounting
FY15	Wharfinger	Harvey Rose	2.10 Conduct one or more training session to instruct Division employees on the requirements and restrictions to the use of Purchasing Cards and consider using purchase orders for items like tenant gifts in the future.	Wharfinger
FY15	Wharfinger	Harvey Rose	2.16 Provide complete responses to the biennial review of capital assets by indicating which assets have been salvaged and identifying Division assets that are not on the central inventory to ensure the Accounting Division records are up-to-date and accurate.	Wharfinger